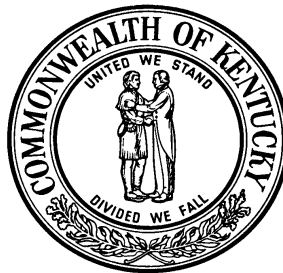


**REPORT OF THE AUDIT OF THE  
EDMONSON COUNTY  
CLERK**

**For The Year Ended  
December 31, 2006**



**CRIT LUALLEN  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE EDMONSON COUNTY CLERK**

**For The Year Ended  
December 31, 2006**

The Auditor of Public Accounts has completed the Edmonson County Clerk's audit for the year ended December 31, 2006. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

#### **Financial Condition:**

Excess fees decreased by \$176,263 from the prior year, resulting in excess fees of \$31,450 as of December 31, 2006. Revenues increased by \$78,243 from the prior year and expenditures increased by \$254,506.

#### **Report Comments:**

- 2006-1 The County Clerk Should Eliminate The Deficit Of \$1,307 In His 2006 Fee Account By Depositing Election Commission And Board Of Assessment Receipts Of \$1,000 To Official Fee Account
- 2006-2 The County Clerk Should Pay Excess Fees Of \$1,378 To The County For 2006
- 2006-3 The County Clerk Should Reimburse His Official Account \$307 For Disallowed Expenditures
- 2006-4 The County Clerk Should Remit Excess Fees To The Fiscal Court By March 15
- 2006-5 The County Clerk Should Require Time Records For All Employees
- 2006-6 The County Clerk Should Implement Compensating Controls To Offset Internal Control Deficiencies
- 2006-7 The County Clerk Failed To Manage The Financial Activities Of His Office

#### **Deposits:**

The County Clerk's deposits were insured and collateralized by bank securities.



## CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT .....	1
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS .....	3
NOTES TO FINANCIAL STATEMENT .....	6
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS - REGULATORY BASIS .....	8
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....	11
COMMENTS AND RECOMMENDATIONS .....	15





CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable N. E. Reed, Edmonson County Judge/Executive  
The Honorable Larry Carroll, Edmonson County Clerk  
Members of the Edmonson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Edmonson County, Kentucky, for the year ended December 31, 2006. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2006, in conformity with the regulatory basis of accounting described in Note 1.

The schedule of excess of liabilities over assets is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated in all material respects in relation to the financial statement taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated December 5, 2007 on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable N. E. Reed, Edmonson County Judge/Executive  
The Honorable Larry Carroll, Edmonson County Clerk  
Members of the Edmonson County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2006-1 The County Clerk Should Eliminate The Deficit Of \$1,307 In His 2006 Fee Account By Depositing Election Commission And Board Of Assessment Receipts Of \$1,000 To Official Fee Account
- 2006-2 The County Clerk Should Pay Excess Fees Of \$1,378 To The County For 2006
- 2006-3 The County Clerk Should Reimburse His Official Account \$307 For Disallowed Expenditures
- 2006-4 The County Clerk Should Remit Excess Fees To The Fiscal Court By March 15
- 2006-5 The County Clerk Should Require Time Records For All Employees
- 2006-6 The County Clerk Should Implement Compensating Controls To Offset Internal Control Deficiencies
- 2006-7 The County Clerk Failed To Manage The Financial Activities Of His Office

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Edmonson County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

December 5, 2007



EDMONSON COUNTY  
LARRY CARROLL, COUNTY CLERK  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2006

Revenues

State Fees For Services		\$	4,354
Fiscal Court			9,195
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	306,188	
Usage Tax		482,926	
Tangible Personal Property Tax		826,663	
Other-			
Fish and Game Licenses		7,804	
Deed Transfer Tax		35,707	
Delinquent Tax		114,370	1,773,658
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts		11,246	
Real Estate Mortgages		26,707	
Chattel Mortgages and Financing Statements		38,600	
Powers of Attorney		1,320	
All Other Recordings		22,400	
Affordable Housing		8,892	109,165
Other:			
Miscellaneous		3,618	
Interest Earned		1,287	4,905
Total Revenues			1,901,277

Expenditures

Payments to State:		
Motor Vehicle-		
Licenses and Transfers	\$	227,980
Usage Tax		468,185
Tangible Personal Property Tax		326,878
Miscellaneous		144

The accompanying notes are an integral part of this financial statement.

EDMONSON COUNTY  
 LARRY CARROLL, COUNTY CLERK  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2006  
 (Continued)

Expenditures (Continued)

Payments to State: (Continued)

Licenses, Taxes, and Fees-

Fish and Game Licenses	\$	7,570	
Delinquent Tax		15,145	
Legal Process Tax		13,208	
Affordable Housing		8,892	\$ 1,068,002

Payments to Fiscal Court:

Tangible Personal Property Tax	98,105	
Delinquent Tax	16,366	
Deed Transfer Tax	33,922	148,393

Payments to Other Districts:

Tangible Personal Property Tax	368,506	
Delinquent Tax	54,095	422,601

Payments to Sheriff 1,362

Payments to County Attorney 16,626

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries 88,455

Employee Benefits-

Employer's Share Social Security 2,567

Employer's Paid Health Insurance 4,253

Other Payroll Expenditures 132

Contracted Services-

Accounting Services 2,258

Printing and Binding 19,071

Refunds 752

Materials and Supplies-

Tax Bill Preparation 2,513

The accompanying notes are an integral part of this financial statement.

EDMONSON COUNTY  
 LARRY CARROLL, COUNTY CLERK  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2006  
 (Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay: (Continued)

Other Charges-

Conventions and Travel	\$	2,790
Dues		350
Postage		2,938
Cleaning		1,200
Phone		1,351
Bad Debt Expense		940
Miscellaneous		210

Capital Outlay-

Office Equipment	7,127	\$	136,907
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Total Expenditures	\$	1,793,891
Less: Disallowed Expenditures		<u>307</u>

Total Allowable Expenditures	<u>1,793,584</u>
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Net Revenues	107,693
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Less:

Statutory Maximum Paid	69,152	
Statutory Maximum Unpaid	189	
Expense Allowance	3,600	
Training Incentive Benefit	<u>3,302</u>	<u>76,243</u>

Excess Fees Due County for 2007	31,450
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Payments to Fiscal Court -

Credit For 2006 Excess Fees Paid From 2005 Fee Account	1,850	
April 3, 2007	25,130	
April 27, 2007	<u>3,092</u>	<u>30,072</u>

Balance Due Fiscal Court at Completion of Audit	<u>\$</u>	<u>1,378</u>
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The accompanying notes are an integral part of this financial statement.

EDMONSON COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2006

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2006 services
- Reimbursements for 2006 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2006

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

EDMONSON COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2006  
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 10.98 percent for the first six months and 13.19 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2006, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

EDMONSON COUNTY  
LARRY CARROLL, COUNTY CLERK  
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS - REGULATORY BASIS

December 31, 2006

Assets

Cash in Bank	\$ 94,311
Collected Receivables	19,960
Uncollected Receivables:	
Due From 2007 Fee Account	<u>260</u>
Total Assets	<u>114,531</u>

Liabilities

Paid Obligations:		
Outstanding Checks		11,496
Outstanding Liabilities		102,775
Unpaid Obligations:		
Due County Clerk - Underpayment of Statutory Maximum	\$ 189	
Excess Fees Due Fiscal Court	<u>1,378</u>	
Total Unpaid Obligations		<u>1,567</u>
Total Liabilities		<u>115,838</u>
Total Deficit as of December 31, 2006		<u><u>\$ (1,307)</u></u>

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable N. E. Reed, Edmonson County Judge/Executive  
The Honorable Larry Carroll, Edmonson County Clerk  
Members of the Edmonson County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Edmonson County Clerk for the year ended December 31, 2006, and have issued our report thereon dated December 5, 2007. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Edmonson County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Edmonson County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Edmonson County Clerk's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying comments and recommendations as items 2006-6 and 2006-7 to be significant deficiencies in internal control over financial reporting.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Edmonson County Clerk's financial statement for the year ended December 31, 2006, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations as items 2006-1, 2006-2, 2006-3, 2006-4 and 2006-5.

The Edmonson County Clerk's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the County Clerk's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Edmonson County Fiscal Court, and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

December 5, 2007

## COMMENTS AND RECOMMENDATIONS



EDMONSON COUNTY  
LARRY CARROLL, COUNTY CLERK  
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2006

STATE LAWS AND REGULATIONS:

- 2006-1    The County Clerk Should Eliminate The Deficit Of \$1,307 In His 2006 Fee Account By Depositing Election Commission And Board Of Assessment Receipts Of \$1,000 To Official Fee Account
- 

Based upon available records, there was a \$1,307 deficit in the County Clerk's official fee account for 2006. During 2005 and 2006, the County Clerk did not deposit \$375 and \$625, respectively, of election commission and board of assessment receipts to the official fee account. These amounts are compensation to the County Clerk that must be included in the calculation of the County Clerk's statutory maximum annual compensation. In addition, expenditures of \$307 have been disallowed. We recommend that the County Clerk eliminate the deficit of \$1,307 with a deposit of personal funds. In the future, we recommend the deposit of election commission and board of assessment receipts to the official fee account; we also recommend all expenditures be for allowable purposes.

*County Clerk's Response: The County Clerk is employed by the Edmonson County Fiscal Court to render services as Election Commissioner for the county at a rate of \$25.00 per month. This has not changed since I took office in 1999. Should they elect not to pay lies at the discretion of the Edmonson County Fiscal Court and I should be notified under KRS. 117.035 Sub Section F.*

- 2006-2    The County Clerk Should Pay Excess Fees Of \$1,378 To The County For 2006

During 2006, the County Clerk's fee account had excess fees of \$31,450. Payments of \$30,072 were made to the County Treasurer, leaving a balance of \$1,378 due to the County for 2006 excess fees. After transferring \$260 from the 2007 fee account, depositing \$1,307 of personal funds, and paying \$189 to the County Clerk for the underpayment of his 2006 statutory maximum salary, we recommend the County Clerk pay the County Treasurer the remaining balance of \$1,378.

*County Clerk's Response: This issue occurred when we were in transition of regaining our own finances after returning from fee pooling in which we were forced to participate in beginning calendar year 2003. These issues have been resolved.*

- 2006-3    The County Clerk Should Reimburse His Official Account \$307 For Disallowed Expenditures
- 

Our testing revealed expenditures of \$307 not beneficial to the public. Expenditures were made for penalty and interest on filing a K-1 late to the Kentucky Department of Revenue, Christmas greeting advertisements, reimbursement of a meal twice, and alcoholic beverages. In *Funk vs. Milliken* 317 S.W. 2d 499 (Ky. 1958), Kentucky's highest court reaffirmed the rule that county fee officials' expenditures of public funds will be allowed only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not personal expenses. We recommend that the County Clerk deposit personal funds of \$307 into his official account, so that excess fees can be paid to fiscal court.

*County Clerk's Response: K-1 will not be paid. We agree with all the other disallowed expenses and will reimburse them.*

EDMONSON COUNTY  
 LARRY CARROLL, COUNTY CLERK  
 COMMENTS AND RECOMMENDATIONS  
 For The Year Ended December 31, 2006  
 (Continued)

STATE LAWS AND REGULATIONS: (CONTINUED)

2006-4 The County Clerk Should Remit Excess Fees To The Fiscal Court By March 15

KRS 64.152 requires the County Clerk to provide a settlement to the Fiscal Court by March 15 and pay any excess fees to the Fiscal Court at the time of this settlement. The County Clerk submitted an annual settlement to the finance officer of Edmonson County on January 19, 2007. However, this settlement was not provided to the Fiscal Court. In addition, the County Clerk did not pay his excess fees to the Fiscal Court until April 2007. We recommend the County Clerk provide an annual settlement to the Fiscal Court by March 15 and pay excess fees to the Fiscal Court at the time of the settlement.

*County Clerk's Response: We will comply.*

2006-5 The County Clerk Should Require Time Records For All Employees

KRS 337.320 states, "Every employer shall keep a record of: (a) the amount paid each pay period to each employee; (b) the hours worked each day and each week by each employee; and (c) such information as the secretary requires." In addition, the Fair Labor Standards Act's recordkeeping regulations, 29 CFR Part 516 require an employer to maintain a list of basic records. Included in this list of basic records is: time and day of week when employee's workweek begins; hours worked each day; and total hours worked each workweek. The County Clerk's office did not comply with this statute or these regulations. During the test of payroll, we observed all non-elected employees were not maintaining a record showing the hours worked each day and the total hours worked each week. Timesheets should be kept for payroll verification and as a record of leave time used. The employee and the appropriate supervisor should sign all timesheets. We recommend the County Clerk comply with this statute and these regulations by implementing timekeeping policies.

*County Clerk's Response: We will investigate this issue with the Kentucky State Labor Board as to the record keeping of salaried employees. When we receive a state government ruling we will comply with any and all findings.*

INTERNAL CONTROL – SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES:

2006-6 The County Clerk Should Implement Compensating Controls To Offset Internal Control Deficiencies

During our review of internal controls, we noted the following control deficiencies pursuant to professional auditing standards:

- A deputy of the County Clerk collects money, prepares daily cash checkouts, and prepares the deposits. However, the daily cash checkouts and deposits do not document the preparer.
- The County Clerk's bookkeeper collects money and posts collections to the receipts ledger. No oversight of these activities by the County Clerk or another individual to ensure accuracy and completeness was documented.

EDMONSON COUNTY  
 LARRY CARROLL, COUNTY CLERK  
 COMMENTS AND RECOMMENDATIONS  
 For The Year Ended December 31, 2006  
 (Continued)

INTERNAL CONTROL – SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES:  
 (CONTINUED)

2006-6 The County Clerk Should Implement Compensating Controls To Offset Internal Control Deficiencies (Continued)

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- The County Clerk's bookkeeper prepares, signs, and mails/delivers the majority of the checks issued. No oversight of these activities by the County Clerk or another individual to ensure accuracy and completeness was documented.
- The County Clerk's office did not reconcile the bank statements monthly.
- The County Clerk's office did not document reconciling monthly reports to receipts and expenditures ledgers.
- The County Clerk did not require employees to maintain time records.
- Payroll expenditures per the payroll records did not reconcile to the fourth quarterly financial report or the expenditures ledger.
- Expenditures per the fourth quarterly report and annual settlement did not agree reasonably to the expenditures ledger.
- Expenditures ledger was not maintained as checks were written. The expenditures ledger was created after February 12, 2007.

No compensating controls were noted to offset any of these control deficiencies. Therefore, the control deficiencies as described above are significant deficiencies and material weaknesses. The County Clerk should implement the compensating controls noted below to offset these internal control weaknesses.

- Two people, with one being the County Clerk, should sign all checks.
- The County Clerk or designee should examine checks prepared by another employee and compare invoices or monthly reports to taxing districts for payments. The County Clerk or designee could document this by initialing the invoices and the monthly reports.
- The County Clerk or designee should review the bank reconciliation prepared by another employee and compare the balance to the balance in the checkbook. Any differences should be reconciled. The County Clerk or designee could document this by initialing the bank reconciliation and the balance in the checkbook.
- The County Clerk or designee should periodically compare a daily bank deposit to the daily checkout sheet and then compare the daily checkout sheet to the receipts ledger. Any differences should be reconciled. The County Clerk or designee could document this by initialing the bank deposit, daily checkout sheet, and receipts ledger.
- The County Clerk or designee should document reconciling monthly reports to source documents and receipts and expenditures ledgers. Any difference should be reconciled. The County Clerk or designee could document this by initialing the monthly report.
- The County Clerk should require employees to maintain time records. The employees should sign the time records. The County Clerk should review the time records. The County Clerk could document this review by signing the time records.

EDMONSON COUNTY  
LARRY CARROLL, COUNTY CLERK  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2006  
(Continued)

INTERNAL CONTROL – SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES:  
(CONTINUED)

2006-6 The County Clerk Should Implement Compensating Controls To Offset Internal Control Deficiencies (Continued)

- The County Clerk or designee should reconcile the payroll records, the quarterly financial report, and the expenditures ledger. Any difference should be reconciled. The County Clerk or designee could document this by initialing the payroll records.
- The County Clerk or designee should compare the quarterly financial report to the receipts and expenditures ledgers for accuracy. Any differences should be reconciled. The County Clerk or designee could document this by initialing the quarterly financial report.

*County Clerk's Response: We will comply. All financial records are now being maintained and reconciled on a daily, weekly, monthly & quarterly basis. They are recorded both electronically and manually on paper. They are checked and rechecked by additional capable staff and initialed accordingly.*

2006-7 The County Clerk Failed To Manage The Financial Activities Of His Office

Included in this audit report, we are addressing control and compliance issues such as the need to complete accurate financial reports, reconcile the bank statements monthly, reconcile payroll records to financial reports, maintain timely accurate expenditures ledger, maintain time records for all employees, submit an annual settlement and excess fees timely to the fiscal court, and the lack of segregation of duties. The cumulative effect of these control and compliance issues increases the risk of material misstatement caused by error or fraud and results in the need for us to alert management of the necessity to improve controls over the financial activities of his office. We recommend the County Clerk be more diligent in the day-to-day operations of his office by providing direct oversight of financial reporting for all receipts and expenditures including daily deposits, monthly bank reconciliations, and reviewing and monitoring all expenditures prior to payment. In addition, the County Clerk should contact the Governor's Office for Local Development to seek additional training and technical assistance for himself and his staff. Without this direct oversight or the County Clerk completing these duties himself and based on current management and administrative practices of the office, we believe taxpayer monies could be at significant risk. We will refer this matter to the Governor's Office for Local Development for review.

*County Clerk's Response: All issues have been rectified and compliance will not be an issue. Furthermore, the taxpayers' money has never and will never be at risk. We take great measures to insure that.*



